

BELLAIRE BUILDING AUTHORITY
ANTRIM COUNTY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name BELLAIRE BUILDING AUTHORITY	County ANTRIM
Fiscal Year End FEBRUARY 28, 2006	Opinion Date MARCH 29, 2006	Date Audit Report Submitted to State MAY, 24, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If any such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	No applicable items - See Village of Bellaire for items affecting the entire Village		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) KESKINE, COOK, MILLER & ALEXANDER		Telephone Number (989) 732-7790		
Street Address 100 WEST FIRST STREET		City GAYLORD	State MI	Zip 49735
Authorizing CPA Signature 		Printed Name WALT KESKINE, CPA		License Number A 266342

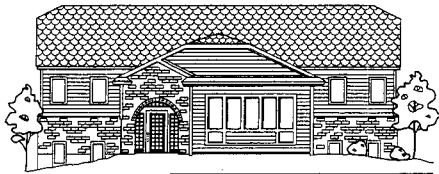
BELLAIRE BUILDING AUTHORITY OFFICERS

Chairman	Russell Fillmore
Secretary	Ken Stead
Treasurer	Cathy Odom
Member	Elaine Dawson

Bellaire Building Authority

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Curt A. Reppuhn, C.P.A.

INDEPENDENT AUDITOR'S REPORT

March 29, 2006

To the Chairman and Members of the
Council of the Bellaire Building Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bellaire Building Authority, Antrim County, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bellaire Building Authority, Antrim County, Michigan as of February 28, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, which follows the Independent Auditor's Report on pages 2-4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

KK Cook Miller & Alexander LLP

Keskin, Cook, Miller & Alexander, LLP
Certified Public Accountants
Gaylord, Michigan

Village of Bellaire

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BELLAIRE BUILDING AUTHORITY MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED FEBRUARY 28, 2006

This section of the annual financial report presents our discussion and analysis of the Bellaire Building Authority, a component unit of the Village of Bellaire, financial performance during the fiscal year ended February 28, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Assets at February 28, 2006 totaled approximately \$163,000. The capital projects fund of the Authority was inactive during the year, as no new capital projects were begun. The debt service fund made debt payments in accordance with the debt maturities.

Overall revenues were \$8,181 in the government-wide financial statements, less than the prior year total of \$8,473. The entire revenue balance, as in the prior year, was received from the Village of Bellaire in the form of rent to cover the expense of the bond used to repair the dam. Overall expenses were \$8,427 in the government-wide financial statements, reflecting bond interest payments and other small fees.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, management discussion & analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Bellaire Building Authority.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The Authority does not engage in business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons. Budgetary comparisons are not required for the Authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

These government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities and this is one method to measure the Authority's financial health or position.

Over time, increases/decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Bellaire Building Authority funds. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Bellaire Building Authority has the following types of funds:

Governmental Funds: All of the Bellaire Building Authority activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Bellaire Building Authority government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE BELLAIRE BUILDING AUTHORITY AS A WHOLE

Net Assets: The Bellaire Building Authority's combined net assets for year ending February 28, 2006 totaled \$1,034

Governmental Activities: The net assets for governmental activities remained constant during the year.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

Bellaire Building Authority Capital Projects: This fund is used to record construction projects. For the year ended February 28, 2006, there were no construction projects in process; therefore, this fund was not used.

Bellaire Building Authority Debt Service: This fund collected lease revenue from the general fund and satisfied the debt service requirements of the Craven Dam Bond.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: The Bellaire Building Authority has elected not to record infrastructure assets retroactively. Consequently, the Authority has no capital assets as of February 28, 2006.

Long Term Debt:

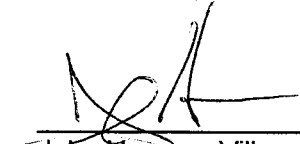
Bellaire Building Authority Bond: The bond payments made this fiscal year for the restoration of Craven Dam totaled \$17,260 (\$10,000 principal and \$7,260 interest).

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

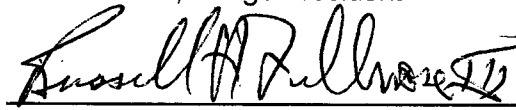
With the completion of the repair of the dam, the Authority does not currently have any plans for the near future.

CONTACTING AUTHORITY MANAGEMENT


This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report please contact either Ms. Cathy Odom, Village of Bellaire Clerk, Mr. John Hanson, Village of Bellaire President, or Mr. Russell Fillmore, Bellaire Building Authority Chairman at 202 N. Bridge St., P.O. Box 557, Bellaire, MI 49615 or by calling 231-533-8213 during the hours of 8:30 AM to 4:00 PM.



John Hanson, Village President



Russell Fillmore, Building Authority Chairman



Cathy Odom, Village Deputy Clerk/Treasurer

**BELLAIRE BUILDING AUTHORITY
STATEMENT OF NET ASSETS
FEBRUARY 28, 2006**

	Governmental Activities
Assets	
Cash	\$ 1,034
Interest receivable	6,820
Lease receivable	
Due in one year	10,000
Due in more than one year	145,000
Total assets	<u>162,854</u>
Liabilities	
Accrued interest payable	6,820
Bonds payable	
Due in one year	10,000
Due in more than one year	145,000
Total liabilities	<u>161,820</u>
Net Assets	
Invested in capital assets, net of related debt	(155,000)
Net assets, restricted	156,034
Total net assets	<u><u>\$ 1,034</u></u>

See accompanying notes to financial statements.

**BELLAIRE BUILDING AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006**

	<u>P R O G R A M R E V E N U E S</u>				<u>NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL</u>
Governmental Activities					
Craven and richardi dam projects	\$ 1,350	\$ -	-	1,350	\$ -
Interest on long-term debt	7,077	-	-	-	(7,077)
Total governmental activities	8,427	-	-	1,350	(7,077)
General revenues					
Investment earnings					6,831
Change in net assets					(246)
Net assets - March 1, 2005					1,280
Net assets - February 28, 2006					\$ 1,034

See accompanying notes to financial statements.

**BELLAIRE BUILDING AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
FEBRUARY 28, 2006**

Assets

Cash	\$ 1,034
Lease receivable (due from primary government)	155,000
Interest receivable (due from primary government)	2,842
	<hr/>
Total assets	\$ 158,876
	<hr/> <hr/>

Liabilities and Fund Equity

Liabilities:

Deferred lease payments	\$ 155,000
Deferred interest payments	2,842
	<hr/>
Total liabilities	157,842

Fund Balance:

Fund balance - reserved for bond retirement	1,034
	<hr/>
Total liabilities and fund equity	\$ 158,876
	<hr/> <hr/>

See accompanying notes to financial statements.

BELLAIRE BUILDING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED FEBRUARY 28, 2006

Revenues

Lease revenue - village of bellaire	\$ 18,610
Interest	11
	<hr/>
Total revenues	18,621

Expenditures

Bond principal payment	10,000
Bond interest payment	7,260
Miscellaneous	1,350
	<hr/>
Total expenditures	18,610
	<hr/>

Excess of revenues over expenditures	11
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Fund balance - March 1, 2005	1,023
	<hr/>

Fund balance - February 28, 2006	\$ 1,034
	<hr/> <hr/>

See accompanying notes to financial statements.

**BELLAIRE BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 1: ENTITY

In June 2001, the Bellaire Building Authority was created under the provisions of Public Act 31 of 1948. The purpose of the Authority is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites for the use of the Village of Bellaire. Although it is legally separate from the Village, the Building Authority is reported as if it were a part of the primary government because its sole purpose is to serve the Village of Bellaire.

The financial activity of the Building Authority is reported in a special revenue and debt service fund within the Village's financial statements. The Building Authority and the Village of Bellaire audited financial statements are located at the Village offices.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the Bellaire Building Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures of the Authority's financial activities for the fiscal year ended February 28, 2006.

The accounting policies of the Bellaire Building Authority conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole. Individual fund information is not displayed but the statements distinguish governmental activities, generally supported by taxes and Authority general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Authority does not engage in business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to

**BELLAIRE BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the Authority's governmental funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Authority reports the following major governmental funds:

Debt Service Fund - The debt service fund is used to record the funding and payment of the principal and interest on debt reported in the general long-term debt account group.

The Authority also maintains the following fund, which was inactive during the fiscal year:

Capital Projects Fund - This fund is used to account for specific governmental revenues related to major capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. The Bellaire Building Authority has one fund in this category that records the fiscal activity for the construction and repair project for the Craven Dam and the Richardi Dam.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**BELLAIRE BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The Bellaire Building Authority was not required to adopt a budget for the year ended February 28, 2006 for either of its funds.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**BELLAIRE BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

NOTE 3: CASH AND INVESTMENTS

All cash deposits are maintained in financial institutions in the Bellaire, Michigan area. The Authority's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Authority at fiscal year-end. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- Category 3 - Uncollateralized.

	BANK BALANCE	1	CATEGORY 2	3	BOOK BALANCE
Building Authority	\$ 1,034	\$ 1,034	\$ -	\$ -	\$ 1,034

NOTE 4: LEASE AND INTEREST RECEIVABLE (DUE FROM PRIMARY GOVERNMENT)

During the fiscal year ended February 28, 2003, the Authority entered into a leasing agreement with the Village of Bellaire (the primary government) whereby the Village will make annual lease payments to the Authority in the amount of the debt service requirements for the Craven Dam bonds described in Note 5.

In the fund financial statements, which uses the modified accrual basis of accounting, the lease receivable is recorded as an asset with a balance of \$155,000 at the fiscal year-end, offset by a deferred lease payment balance of the same amount.

**BELLAIRE BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006**

NOTE 4: LEASE AND INTEREST RECEIVABLE (DUE FROM PRIMARY GOVERNMENT)

The government-wide financial statements, prepared on the full-accrual basis, have the full amount of the lease receivable recorded as revenue in the year of the lease's inception.

A schedule of the lease receivable to maturity, which is the same as the bond debt service schedule, is included at Note 5.

In the government-wide financial statements, interest receivable is accrued at \$6,820 and in the fund based financial statements, interest receivable is accrued at \$2,842.

NOTE 5: LONG-TERM DEBT

The following is a summary of bond transactions of the Authority for the year ended February 28, 2006:

GENERAL OBLIGATION	
Bonds Payable	
March 1, 2005	\$ 165,000
Additions	-
Retirements	<u>10,000</u>
 Bonds Payable	
February 28, 2006	<u>\$ 155,000</u>

Long-term debt as of February 28, 2006, consists of the following:

***LIMITED FULL FAITH AND CREDIT GENERAL OBLIGATION CONTRACT
OF LEASE***

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>
10/07/01	\$190,000	4.40%	6/20/06	10,000
			6/20/07	10,000
			6/20/08	10,000
			6/20/09	10,000
			6/20/10	15,000
			2011 - 2015	80,000
			2016 - 2020	<u>20,000</u>
				<u>\$ 155,000</u>

BELLAIRE BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2006

NOTE 5: LONG-TERM DEBT (CONTINUED)

***LIMITED FULL FAITH AND CREDIT GENERAL OBLIGATION CONTRACT
OF LEASE (CONTINUED)***

Purpose of the Issue:

Defraying part of the cost of major repairs to Craven Dam. The debt was issued to the Bellaire Building Authority and the Village of Bellaire.

NOTE 6: RESERVED/RESTRICTED FUND BALANCE

The Building Authority debt service fund has reserved fund balance for the Craven Dam Project G.O. Bonds in the fund financial statements.

\$ 1,034

The Bellaire Building Authority has restricted net assets in the government-wide financial statements for the Craven Dam Project G.O. Bonds.

\$ 156,034

NOTE 7: INSURANCE COVERAGES

Bonding and insurance is provided through the Village of Bellaire.

NOTE 8: BUDGETARY FINANCIAL STATEMENTS

GASB Statement No. 34 requires that budgetary comparison financial statements are prepared as required supplementary information for the general fund and all major special revenue funds. The Authority does not maintain such funds; accordingly, budgetary financial statements are not presented.